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CONTENTS

USSR WORLD TRADE

- Failings of World Monetary, Credit System Considered
(Georgi Matyukhin, Yevgeni Smirnov; FOREIGN TRADE, No 8,
1984)..... 1

USSR-CEMA TRADE

- International Investment Bank Activities in 1983 Reviewed
(Nikolai Blinkov; FOREIGN TRADE, No 8, 1984)..... 17
- Soviet-Vietnamese Scientific, Technical Cooperation
(EKONOMICHESKAYA GAZETA, No 21, May 84)..... 21
- Soviet Ship Aids in Vietnamese Oil Development
(V. Yeliseev; LENINGRADSKAYA PRAVDA, 8 Jul 84)..... 23
- Increasing CEMA Self-Sufficiency
(Yu. Konstandinov; POLITICHESKOYE SAMOOBRAZOVANIYE No 7,
1984)..... 25
- Major Areas of Trade With Czechoslovakia Reviewed
(Vladimir Vladimirsky; FOREIGN TRADE, No 8, 1984)..... 31
- Specialization, Cooperation With Romania Reviewed
(N. Mikhaylenko; EKONOMICHESKAYA GAZETA, No 35, Aug 84)... 38

TRADE WITH LDC'S

- Benefits to Egypt of Soviet Trade, Assistance
(Namik Yakubov; FOREIGN TRADE, No 8, 1984)..... 41

FAILINGS OF WORLD MONETARY, CREDIT SYSTEM CONSIDERED

Moscow FOREIGN TRADE in English No 8, 1984 pp 44-50

[Article by Prof. Georgi Matyukhin, D.Sc.(Econ.), and Yevgeni Smirnov, Cand. Sc.(Econ.)]

[Text]

Monetary disturbances hold special place among the capitalist world's crisis phenomena of the past few years. Frequent flare-ups of monetary fever, sharp swings of exchange and interest rates, large-scale movements of short-term capitals, considerable changes in official currency reserves and their inadequate distribution among individual countries, huge disequilibrium in payments, distortions in state finance, collapses of the credit system —such is by far the incomplete list of the main symptoms of the "monetary disease" that affects the capitalist world.

This phenomenon is in large measure due to the lack of convergence of the international capitalist monetary system with the requirements of the day. It is no mere accident that even the leaders of some industrial capitalist countries have begun to speak frankly about this system. "The time has come to think of a new Bretton Woods," says President Mitterrand of France. He believes that an urgent task today is to restore the stable currency system with economically justifiable fixed rates of exchange.¹

It is not the first time that ruling quarters have expressed dissatisfaction with the system of international monetary relations. Its causes date back to the 1940s.

It will be recalled that the postwar international monetary system was based on the Bretton Woods agreements signed in 1944 and resting on three principles. The US dollar was equated with gold as the standard of value and the main international reserve

asset. The capitalist countries' central banks were obliged to maintain the fixed exchange rates of their currencies with respect to the US dollar. A special institution, the International Monetary Fund, was set up to regulate monetary relations between states.

The Bretton Woods agreements based on US proposals took only the interests of the industrial capitalist countries into account, the USA above all. Since then the world capitalist economy has undergone enormous changes: the former colonies have proclaimed their political independence and formed a large group of developing nations, new centres of imperialist rivalry have arisen in the world.

Already at the 1st UNCTAD session in 1964 representatives from the developing world noted that the functioning then capitalist monetary system stood in need of a reform. In the mid-1960s a group of experts representing the developing countries proposed a concrete plan for the purpose. Dissatisfaction with the Bretton Woods system as concerns some questions was at that time also felt in some industrial capitalist countries whose interests were more and more departing from those of the United States.

In those conditions the industrialized capitalist states were compelled, jointly with the developing nations, to start elaboration of a new international monetary system to replace the collapsing Bretton Woods system. With this aim in view within the IMF framework a Committee of Twenty was set up in 1972, which included (approximately on a fifty-fifty basis) representatives from the industrial capitalist countries and the developing nations, with the former playing the decisive role.

From the very outset the Committee of Twenty faced serious difficulties because of the differences between its member-countries. These contradictions were aggravated even more after the steep rise in world prices in 1973 and 1974. The Committee of Twenty, having failed to work out a draft of international monetary reform, ceased to function. In its final document it stated that in view of present uncertainties, it would not be appropriate to attempt at that time to determine the full details of all aspects of the system.²

At its regular session in 1974 the IMF set up an IMF Interim Committee on the international monetary system, on which all member-countries of the Fund

were represented. The Committee did not have as its task a radical reform of the international monetary system; it was only suggested that it would work out proposals for adjusting the existing international monetary relations to the requirements of the day and submit draft amendments to separate articles of the IMF Status.

At the meeting of the Interim Committee in Kingston (Jamaica) in January 1976 an agreed text of the proposals was prepared, and these on April 1, 1978, after their ratification by the parliaments of 85 countries possessing 78.52 per cent of the total quotas in the IMF, came into force as the Agreements of Jamaica.

Ignoring the objective tendencies of international economic relations, the authors of the Agreements tried to correct only those provisions which seemed to be most archaic and at variance with the spirit of the times. Meanwhile, the surface phenomena did not develop themselves but were a consequence of deep-going contradictions in capitalist industrial relations. They reflected the deepening of the general capitalist crisis manifested in the crisis of world money, exchange rates and balances of payments.

The crisis of world money owes its origin to the confrontation of the forms of money, the absence of international credit money to meet all the requirements of international settlements, the inability of national currencies to satisfactorily perform the international currency functions.

The crisis of exchange rates is seen in the fact that the gap between the exchange and value relationships of currencies in existence since the collapse of the gold standard has exceeded all admissible limits and markedly undermined the operation of the law of value in the area of international settlements.

The crisis of balances of payments means that their imbalance with a periodical sequence of surpluses and deficits has been replaced by the imbalance of external payments with protracted tendencies towards a favourable or unfavourable balance, evidenced in the rapid growth of the debt of some countries to others and frequent insolvency cases.

What did the authors of the Agreements do? First of all, in an attempt to solve the problem of world money they tried to enhance the role and prestige of Special Drawing Rights (SDRs).³

The amendments to the IMF Status contained the following points aimed at enhancing the role of Special Drawing Rights:

(1) made SDRs the main reserve asset of the international monetary system of capitalism;

(2) envisaged gradual elimination of the limits to the accumulation and use of SDRs by countries. Moreover, the IMF retains the right to "appoint" countries for receiving SDRs or for making payments in SDRs in the event of their uneven distribution;

(3) entitled the IMF to accept SDRs for all settlements with the members of the Fund, including operations in which it was previously obliged to use gold;

(4) allowed any international or regional financial institution to accumulate SDRs;

(5) enabled the Fund at its own discretion to widen the circle of operations with SDRs;

(6) permitted a more flexible policy as regards the allocation of SDRs.

It should be noted that in recent years the IMF members have taken definite measures to expand the use-sphere of Special Drawing Rights.

At present the IMF member-states evaluate their currencies in SDRs. The assets of the Fund are calculated in SDRs as are its operations. SDRs figure as a unit of account in OECD statistics. Many capitalist countries are now evaluating their currency reserves in SDRs. The International Monetary Fund has broadened the list of participants allowed to operate in SDRs, these include the Bank for International Settlements in Basle and 15 other international and regional monetary organizations.

Moreover, the International Monetary Fund took steps to increase the rate of remuneration of SDR holdings with the idea of making creditor countries take a greater interest in keeping SDRs and induce debtors to speed up their reconstitution of SDRs.

At the same time measures were taken to expand the use-sphere of SDRs to international private financial business. At present over 40 commercial banks accept SDRs as deposits; a number of banks keep their clients' current accounts in SDRs. The total volume of syndicated credits extended to private credit institutions exceeded 1,200 million SDRs. Thirteen bonds denominating in SDRs have been issued since 1975. Twenty commercial banks now operate with SDR deposits on the secondary market.⁴

Despite all these measures, however, SDRs have failed to become real world money. The total volume of SDR operations, which account for about one per cent of all capitalist settlements, is still considerably less than the volume of settlements in basic convertible currencies. SDRs did not present the least bit of competition to national currencies, let alone the US dollar whose position has markedly improved over the past three years.

Moreover, the enhanced role of the dollar in the SDR basket⁵ has markedly increased the dependence of this international money on the US dollar. The position of SDRs has also been greatly affected by the USA's changed attitude towards them. In the 1970s the US administration tried at least to create a semblance of goodwill to measures intended to enhance the activity of the SDR mechanism, whereas the new Washington authorities are openly demonstrating their indifference to this mechanism. Plans for establishing a "substitution account"⁶ and linking the issue of SDRs with financial aid to the developing countries have been postponed. As concerns the allocation of SDRs they are showing extreme restraint under the pretence that the sphere of their use is basically limited to interstate operations, the procedure for their allocation has not been adjusted, and additional issues of SDRs may intensify the inflation processes.

Another move made by the authors of the Agreements of Jamaica was an attempt to overcome the crisis of exchange rates. For this purpose the Agreements legalized the floating exchange rates, which exist in practice and are daily determined on the money markets under the influence of supply and demand. Their limits are not rigidly confined as in the Bretton Woods system. The authors of the Agreements hoped that floating exchange rates would help them eliminate the acute disproportions in payments balances, attenuate the inflation processes, iron out the imbalances of exchange rates and thereby achieve a certain degree of stabilization in the monetary sphere.

The mechanism of floating exchange rates is not free from contradictions because the number of currencies floating independently is not so great. At the end of 1983, of the 146 monetary units of the IMF member-countries only 40 currencies floated independently, 34 floated while being pegged to the dollar; 13 were pegged to the French franc; 32 were pegged to other

currencies or currency baskets; eight were within the European monetary system; the exchange arrangements of five currencies were subject to the conditions determined by the respective member-countries (i.e., they depended on prices and production costs), and only 13 were pegged to SDRs.

The universal introduction of floating exchange rates was an emergency measure in extreme circumstances: the oil crisis, the rapid accumulation of petrodollars by the OPEC countries, repeated uncontrolled movements of hundreds of billions of dollars of "hot money,"⁷ the steep growth of surpluses in some industrial capitalist countries and deficits in others, the development of an economic crisis, the worst in the postwar period.

The floating exchange rate system did not save the capitalist countries from the intensive flows of short-term capitals: the supply of "hot money" has increased, the influence of non-economic factors on the formation of exchange rates has grown. This system has proved to be a favourable soil for the egocentric economic policy of the US administration.

By overstating the loan interest rate, the American government created a kind of funnel through which to draw enormous amounts of short-term capital into the USA. In the Western press this policy line of the American administration has been termed as ill-meaning neglect of the interests of the partners. Indeed, why deposit West European currencies in a bank and receive 6 to 8 per cent on them when it is possible to convert them into dollars and thus earn 10 to 12 per cent? As a result, the US dollar's exchange rate began rapidly to increase. According to some economists, in mid-1984 it was overestimated by 30 to 35 per cent with regard to the Deutsche Mark and by 11 to 15 per cent in relation to the Japanese yen.

Add to this the facts that the rise of the dollar's exchange rate was accompanied by the collapse of capitalism's mechanism of international settlements and the growing bitterness of the "war in interest rates." To prevent the large-scale outflow of capitals overseas the West European countries were forced to hold their interest rates at a higher level than dictated by the needs of their economic development. In the meantime, the growing price of credits had a disastrous effect on the economic outlook of these countries, curbed the investments and tended to increase the

already vast army of the unemployed. The London *Financial Times* wrote, that the US partners had unwillingly to tune to the melody of high interest rates played in Washington.⁸

That was not all, however. The depreciation of the currencies of the West European countries and Japan increased the amount needed to buy their imports, above all energy materials, as they had to pay more for them in the very expensive American currency. This, in turn, made it harder for many countries to cover the deficits of their payment balances and caused a fresh rise in prices. According to French economists, every rise in the dollar's exchange rate by five centimes automatically meant an increase in the cost of France's annual imports by 2,000 million francs.

The introduction of floating exchange rates has considerably complicated the capitalist countries' international settlements and greatly increased currency risks. Under the system of fixed exchange rates the exporter was fully aware of the amount of foreign currency he would receive within a definite period of time for the commodity sold, and the importer knew how much foreign currency he would need to meet his commitments, whereas in conditions of floating exchange rates such a forecast is very difficult. For the same reason the conclusion of long-term credit agreements has become an extremely complicated matter.

Although the crises of world money and exchange rates remain unsettled, some palliative solutions were found to mitigate them, however, the crisis of payment balances not only has not abated over the past ten years but has become even sharper. As a result, the capitalist world today appeared under conditions of a liquidity crisis capable of destroying the entire system of international credit relations, which was formed in the postwar period.

The growing crisis of payments balances has led to an unprecedented asymmetry in the distribution of liquidities between countries. In consequence, the debt of a large number of developing nations has exceeded the limits which would still allow the debtor to timely meet his payment obligations. By the beginning of 1983 the total amount of the medium- and long-term debt of the developing countries had, according to IBRD data, reached 730,000 million dollars, it more than doubled over the past five years. In 1970 this debt amounted to 59,000 million dollars. In 1983 alone the young states

paid their Western creditors about 120,000 million dollars as amortization and interest. What is more, the sum of interest payments on foreign debt of many of these states exceeded their proceeds from exports, which is in fact the main source of their needed foreign currency. Moreover, as a result of the protracted crisis which has affected the capitalist economy, in 1982 alone, for instance, the developing countries' exports fell by almost 75,000 million dollars.

The financial difficulties of the newly free states has produced an adverse effect on the liquid assets of the capitalist banks operating in the area of international crediting. Suffice it to say that as of the beginning of 1983 the total volume of credits and loans extended by the 10 major banks of the USA to developing nations, primarily Latin American states, amounted to 43,700 million dollars, which is over 1.5 times more than their equity capital.

This means that in the event of the developing countries discontinuing their debt service payments the leading American banks are not only losing their own resources but their creditors are proving them insolvent. Many banking institutions of the West European countries and Japan find themselves in no better position. According to the *Euromoney* journal, during the past three years they have granted the developing countries some 70,000 million dollars's worth of credit facilities.

Faced with the real danger of undermining the foundations of capitalism's banking system, Western economists and political figures have begun to attach greater importance to the international financial institutions, the IMF above all. At present, however, the International Monetary Fund is not a reliable guarantor against the imminent danger: it has neither sufficient financial resources nor powers under its Statute. Its functions are confined to the granting of short-term credits (from three months up to three years) to cover the temporary deficits of balances of payments on current account, and medium-term credits (up to 8-10 years) to normalize payments balances by developing export industries. The target-oriented character of such credits presupposes that they shall not be used to pay debts to private banks. Moreover, an appreciable part of the IMF's resources consists of currencies which cannot be used in its credit operations because of currency restrictions or economic weakness.

Supporting, in principle, measures to enhance the role of the IMF in the system of international monetary and credit relations, the developing countries are all for it providing greater volumes of financial aid, as well as in favour of increasing the resources of the Fund, making additional emissions of SDRs, and easing the credit terms.

One cannot say that they did not succeed in exerting a certain influence on the IMF. Under their pressure the Fund was compelled not only regularly to increase its own capital but also to set up special funds and to make corrections in its credit policy. It will be recalled that initially the Fund's capital, made up of the contributions of its member-countries to the amount of their quotas, was equal to 7,700 million SDRs. Subsequently, as a result of the admittance of new members and eight reviews of the quotas, the Fund's capital rose to 90,000 million SDRs. The Western press has aptly called these changes in the practice of granting credits by the Fund the "extended access policy." Its idea consists in the fact that since May 1981 the maximum volume of credits granted by the Fund to its member-countries for a period of one year has been temporarily increased up to 150 per cent of the quota, and the volume of credits extended for a period of three years, up to 450 per cent of the quota. The limit of the admissible debt of a member-country to the Fund has been widened up to 600 per cent of its quota. These credits are financed primarily from the borrowed funds. That is why the International Monetary Fund has signed agreements on the obtaining of resources from Saudi Arabia to the amount of 8,000 million SDRs and from the central banks of 14 industrial capitalist countries and Switzerland to the amount of 7,800 million SDRs. This made it possible in 1983 to increase the volume of credits extended by the IMF to the developing countries up to 14,000 millions SDRs.

Pursuance of the "extended access" policy has been attended with a marked toughening of the credit terms. In accordance with the new policy approximately 75 per cent of the entire sum of credits falls on the second and the third tranches, and also on additional credits from the Vitteveen Fund set up to give financial aid to countries with deficits of payment balances. And as is known, with the increase in the number of tranches and, hence, the volume of the debt, the IMF stiffens its demands on the economic policy of the borrower country. Many developing countries were unable to fulfil the requirements dictated by the Fund's experts and thus were deprived of its credits.

Moreover, in September 1983 under the US influence the Fund decided to reduce the admissible limits of crediting. Beginning with 1984 the maximum size of credits granted by the IMF to a borrower country within one year period has been limited to 102 per cent of its quota, and in the event the borrower country finds itself in an extremely difficult situation, to 125 per cent of its quota.

Despite these concessions, however, the industrialized capitalist countries, the USA first and foremost, continued their policy of using the financial difficulties of the newly independent states with a view to enhancing their influence over these states and strengthening the position of their industrial and banking monopolies in them. Their strategy remains as before: financial aid should be given only to those countries willing to make political and economic concessions to the creditors.

Thus, the Agreements of Jamaica did not solve the cardinal problems of capitalism's monetary relations. Today these problems are almost the same as the basic tasks which faced the architects of the Bretton Woods system: (1) search for a genuine international currency capable of performing all the functions of world money; (2) adoption of a mechanism for fixing exchange rates which would adjust the requirements of international economic relations; (3) solution of the chronic disequilibrium of external payment positions.

The French side once again suggested palliative variants. The idea is being advanced of enhancing the role of the SDR (in the world system) and of the ECU⁹ (within the EEC framework), but little is said about what is to be done in these circumstances to weaken the role of the dollar on the international arena and accordingly minimize the dependence of capitalism's monetary relations on US economic policy. There is the proposal to change over to a system of fixed exchange rates, but the question is by-passed as to the establishment of these rates and the extent to which the mechanism of fixed exchange rates corresponds to the uneven development of national economies and to the difference in the rate of the inflation process in them. Suggestions are offered how to regulate the debts but attention is paid mainly to the effects and not the causes of their formation.

For instance, in one of the most detailed projects for the new monetary system former French President V. Giscard d'Estaing suggested:¹⁰

(1) Insofar as the world no longer has unified international reserve and settlement means (the project notes) it is first necessary to set up a system of "objective zones" (zones d'objectif), in one of which the ECU would prevail, in the other—the US dollar and in the third—the Japanese yen; then gradually lessen the limits of exchange rates fluctuations between the leading currencies of each of the zones so that in the final analysis a change over to a coordinated external and internal monetary policy could be accomplished. To achieve this, it is necessary at the first stage to set up a system of monetary relations between the USA, Japan and the EEC, and then, should the results of its functioning prove positive, proceed to the elaboration of an international monetary system on its basis.

(2) Since in the history of monetary relations the system of floating exchange rates was used only in periods of crises or in the periods directly following the crises, it is necessary to return to fixed exchange rates, stage by stage, first reducing exchange fluctuations to their possible minimum and then fixing the rates.

(3) The problem of payment balances should be tackled at the level of the movement of short-term capitals, having enhanced the role of the Bank for International Settlements in Basle as well as that of the International Monetary Fund. A system of guarantees and support should be set up for private commercial banks' short-term operations by central banks and international banking institutions. Questions concerning the origin and growth of long-term debts to be left within the competence of national governments.

This project, apart from its on-the-whole-rather-technocratic character, has as its principal shortcoming the fact that it relies on the immutability of the existing economic order. True, it has some reference to the destructive role of the US dollar in international monetary relations due to the American budget's deficit and the high interest rate policy, but it contains no demand regarding the need to change this situation. Facts show that in its hegemonistic desires the USA is far from feeling itself responsible for the destiny of world economic relations.

Today, generally speaking, there are two main causes of monetary problems: the USA's economic and monetary policy and the ignoring by the West of the

objective laws of commodity-money exchange in the world. The problems remain the same: world money, exchange rates and payment balances.

These laws demand that real world money should be fully free from the actions of any government and that it should be backed by an international bank of issue in which all countries should be equally represented. There has been no such international money since the demonetization of gold, just as there is no such international bank, although some bourgeois economists try to make the International Monetary Fund pass for such a bank.

Having revised the IMF Status, the architects of capitalism's monetary relations have in fact by-passed the objective requirements to the effect that this financial institution and its offspring, the SDR system should have been provided with all international functions which they should perform. However, some of these functions are left for the US dollar to perform, while part of the IMF's prerogatives is retained by the US government.

Consequently, solution of the world money question turns on the need to set up an international order which would finally deprive the US dollar of international functions, and the US government of its *diktat* in the IMF or any other similar institution.

The objective laws in the sphere of exchange rates presuppose the equivalent exchange of some currencies for others. Since gold parities are no longer in existence, exchange rates do not reflect such equivalence; more than that, they have turned into an instrument of external economic policy; countries artificially undervalue or overvalue the exchange rates of their currencies, depending on the concrete aims of their economic expansion. Particularly destructive for the entire system of monetary relations of capitalism is the artificial overstatement or understatement of the exchange rate of the dollar which has the role of the standard of value.

Having obtained, since the Bretton Woods agreements, the right of the stronger in the capitalist system of monetary relations and the exclusive right for

its currency in the hierarchy of world money, the United States has set in recent years the task to gain advantages in the war of capitals going on in the world capitalist economy.

The war of capitals assumed particularly severe forms late in the 1970s and in the early 1980s, when the contradictions between the three centres of imperialist rivalry, the USA, the EEC and Japan, came to an extreme. The question of competitive superiority has shifted to the area of competition between capitals, when the capital of one country succeeds in penetrating the economy of another country, at the same time protecting its own economy against foreign capital. Between 1976 and 1981, for instance, the flow of foreign direct private investments into the USA grew tenfold, from 2,200 million dollars to 22,000 million dollars. Over the same period the flow of American direct private investments abroad (24,300 million dollars in 1979, 19,200 million dollars in 1980 and 9,700 million dollars in 1981) showed a disinvestment of 3,000 million dollars in 1982.¹¹

This means that the USA is now losing in the war of long-term capitals. Hence, the persistent effort of the US administration to keep the dollar's exchange rate at a high notch. Insofar as the overstated exchange rate of the dollar creates favourable conditions for the American monopolies to make investments abroad, the US government will perhaps continue to spare no effort to maintain the exchange rate of its currency at a high level, in order to alter the emergent tendency in the movement of capitals.

It is clear, therefore, why Washington blocked the idea of fixed exchange rates suggested by President Mitterrand of France at the meeting of the Big Seven at Williamsburg in May 1983. Fixed exchange rates, one knows, restrict the possibility of using them as a tool in external economic policy.

However, these proposals, even if accepted, would not have improved the capitalist system of monetary relations. Fixed rates did not stand the test not only because an economic crisis had set in, but also because in conditions of the rapidly changing purchasing power of currencies they did not ensure an equivalent currency exchange. Stable but periodically changing rates are more in line with the logic of things. In this respect the memory of the Bretton Woods system, however fond it may be with bourgeois economists, can hardly be of any help.

To settle the problem of exchange rates it is first and foremost necessary to establish an international economic order which would exclude the manipulation of an exchange rate as a policy instrument, and lay down a rule for keeping it within the agreed limits of fluctuation around the purchasing power parity, thus ensuring an equivalent currency exchange.

There is a still greater need to solve the problem of the imbalance of external payment accounts on the basis of a new international economic order. This problem has two aspects: the question of maintaining the liquid assets of countries and the question of reducing foreign debts to an economically admissible limit. The Agreements of Jamaica have in no way helped settle either of these questions. Moreover, in the period of these agreements the imbalance of external payment accounts and the level of foreign debt have assumed such dimensions under which the capitalist world today is faced with a real danger of a monetary and financial disaster.

Once again we observe here a deviation from the objective regularities and the negative role played by the USA in this respect. Western economists and politicians view these aspects of the problem separately, with the main emphasis on the maintenance of liquid assets. But the question of liquidity, too, they try to solve on the basis of political rather than economic considerations, noted, particularly, by the attempts of the US administration to organize a credit blockade of countries whose socio-economic systems are in one way or another not to the liking of the American government.

Washington's policy is also hindering the normal functioning of the International Monetary Fund, a body whose principal task, according to its Status, is to maintain the liquid assets of its member-countries. Largely because of this policy the Fund's activity in this respect is of little effect, therefore it should be either radically reorganized or replaced by another international financial institution having a democratic procedure for taking decisions on the extension of credits.

Thus, the Agreements of Jamaica have failed to solve the cardinal problems of capitalism's monetary relations inherited from the Bretton Woods system. No solution is given by the new projects of currency reform either, even though there is a great need for it today. That is exactly why the meeting of the Seven in

Williamsburg, despite the obstructionist attitude of the USA, did take into account F. Mitterrand's proposal on the need to reform the international monetary system and convene a new international high-level conference on monetary problems. True, the meeting of the Seven did not take any specific measures for implementing this proposal. It was only a question of "defining the conditions" which would form a base for discussing these measures.

Nevertheless, the questions have been raised. But does the West have answers to them? Does the world community really need a new Bretton Woods? Obviously, a new international order in monetary and financial relations is needed, and not a return to the old relations, however acceptable they may seem to some bourgeois political leaders and economists.

There is only one way to follow, namely to restructure the international economic order so that trade and economic relations between countries will develop on a mutually advantageous and non-discriminatory basis, the artificial barriers raised to the movement of goods will be removed, the political restrictions retarding the development of credit relations eliminated, and all forms of neocolonialism abolished.

¹Allocution de F. Mitterrand, Président de la République Française en L'honneur des Ministres et Secrétaires d'Etat des Affaires Etrangères et de Finance des Pays Membres de l'OCDE, 9 Mai 1983, p. 5, 6.

²IMF Annual Report, 1974, p. 49.

³Special Drawing Rights are artificial reserve means and means of payment, which were created in 1970 for use in regulating payments balances, replenishing official currency reserves and making settlements of the member-countries with the IMF and between themselves. The issue of SDRs as a world means of payment is made by way of their distribution among the IMF member-countries. In all, two such distributions took place, as a result of which the participants received 21,400 million SDRs. As of the beginning of 1984 one SDR unit was equal to 1.04 US dollars.

⁴The market where securities are purchased and sold.

⁵At present the SDR is a weighted basket of the following currencies: the US dollar (42), DM (19), the Japanese yen (13), the French franc (13), pound sterling (13).

⁶To establish an account of this sort a definite amount of SDRs must be issued. These SDRs will be put on a special account (substitution account) kept in the IMF. Each member of the Fund participating in the SDR system will be able to exchange dollars from its reserves for SDRs to the amount proportional to its quota in the Fund. The dollars exchanged for SDRs will be invested in US government securities and will be giving the countries concerned a benefit to the amount equal to or even greater than the countries themselves could derive. Thus formally the USA's short-term liabilities will be substituted for the consolidated debt to be paid within a long period of time at an agreed rate of interest.

⁷See *Foreign Trade*, No. 11, 1982, p. 48.

⁸*Financial Times*, June 8, 1981.

⁹The European Currency Unit (ECU), adopted in 1979, is determined on the basis of a basket of currencies of nine EEC members: the Deutsche Mark, the French franc, the pound sterling, the Dutch guilder, the Italian lira, the Belgian franc, the Danish krone, the Irish pound and the Luxembourg franc. The ECU is declared to be the "centre" of the European Monetary System (EMS) and performs the following functions: as the standard of value for restoring the mutual exchange rates of the currencies of the EEC members; as the "indicator" of deviation of exchange rates from the central rates; as the unit of account for intervening and interstate credit operations; as the means of settlements between the EEC monetary agencies.

¹⁰See *Le Monde*, 21 Mai 1983.

¹¹*Federal Reserve Bulletin* for the relevant years.

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INTERNATIONAL INVESTMENT BANK ACTIVITIES IN 1983 REVIEWED

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[Article by Nikolai Blinkov]

[Text]

Last April the Council of the International Investment Bank held its 36th meeting in Moscow, in which delegations of the IIB member-countries participated: Bulgaria, Cuba, Czechoslovakia, the GDR, Hungary, Mongolia, Poland, Romania, the USSR and Vietnam. Also present at the meeting were representatives from the Secretariat of the Council for Mutual Economic Assistance, from the International Bank for Economic Cooperation, and representatives of the Yugoslavian Government participating in the Council's meeting on the basis of the Agreement between the IIB and the Government of the Socialist Federal Republic of Yugoslavia. Representatives of the Da Afghanistan Bank, Bank of Yemen (Aden), State Bank of Laos, Central Bank of Nicaragua, Bank of Mozambique, National Bank of Ethiopia, Bank of Finland, Inter-American Development Bank, Nordic Investment Bank attended the meeting as observers. W. Bień, head of the Polish delegation, Poland's First Deputy Minister of Finance, chaired the IIB Council's 36th meeting.

The Council considered and approved the report on IIB's activity in 1983 submitted by the Board and the balance sheet as of January 1, 1984, took decisions on the distribution of profits for 1983 and also on other professional matters of the Bank.

Results of the IIB's activity in 1983 were more than commercially sound.

The IIB's credit activity in 1983 promoted the implementation of measures for deepening socialist economic integration, the international socialist division of labour, greater specialization

and cooperation, and the fulfilment of long-term specific programmes of cooperation.

The socialist community countries are making good progress in carrying out the policy intensifying and raising the efficiency of social production. In 1983 the overall national income growth rate was 1.5-fold higher than in 1982, this increase being achieved primarily through higher labour productivity and economy of raw and other materials and energy.

Industrial production grew at a higher pace than in the first two years of the current five-year-plan period (1981-1985), and it embraces the fuel-and-power industry, mechanical engineering, the electrical and chemical industries. Steps have been made to accelerate the output of computer and microelectronic facilities, industrial robots.

The Urengoi-Pomary-Uzhgorod main gas pipeline, the longest in the world and unique in the practice of engineering construction, was completed in the shortest possible time.

Special attention was paid to the higher effectiveness of capital construction, to concentrating strength and means on the most important starting projects, and ensuring that the latter are put into operation in the scheduled time.

In 1983 IIB's credit activities were further extended, new credits being granted to the CMEA members and Yugoslavia.

At its 36th meeting the IIB Council decided to grant Cuba a credit for building a Camagüey-III sugar refinery. The project, when commissioned and operating at its designed output, will make it possible from 1990 to annually increase raw sugar export to the CMEA member-countries by 75,000-80,000 tons. The Bank is financing the construction of three other similar sugar mills.

The Bank is actively developing its credit relations with the Balkancar research-production trading association in Bulgaria manufacturing intra-factory transport means and storehouse facilities, and also components and spare parts for them. Several credits have been already granted for expanding the production of auto and battery-powered trucks as envisaged in the Long-term Specific Programme of Cooperation in

Mechanical Engineering. In 1983 the Record complex, the association's base enterprise, received a new credit for extending and streamlining the production of diesel engines which are used as the auto-truck main driving medium. The output of diesel engines will be more than doubled through the introduction of advanced technology, lowering labour consumption, mechanization and automatization of production.

In 1983 additional credits were granted to Interatominstrument, the CMEA member-countries' international economic association, making nuclear instruments, for further expanding its branch in Poland and also to the Tang tool-making factory, Yugoslavia. The Bank credit will ensure a greater volume of services and output, better supplies of radioisotopes, nuclear physics instruments and test equipment, and other nuclear engineering instruments and devices for the association's cooperating countries. New investments received by the Tang factory are for expanding the output of industrial forgings and instruments.

The Bank's credit will promote the construction of new productive capacities and increase the volumes of products which are needed by the CMEA member-countries and turned out by these enterprises.

In 1983, as in previous years, the International Investment Bank exercised control over borrowers making sure that they observed the credit agreement terms and purposefully and correctly used the assets, kept an eye on the progress made in the construction, reconstruction and commissioning of the projects, on achieving design capacities and other technical and economic indicators.

Between 1971 and 1983 sixty out of the 83 projects accepted for crediting were put into operation, including four projects completed in 1983 which were for the expanded production of aluminium semi-manufactures at the light metal works in Székesfehérvár, Hungary; greater output and higher quality of buses and units at the Ikarus body and motor vehicle factory in Budapest, Hungary; construction of the Camagüey-II sugar refinery in the Santa Cruz municipality, Republic

of Cuba; expansion of the enterprise servicing the Interatominstrument international economic organization, Zielona Góra, Poland.

The cost of the products additionally produced at the credited enterprises approximates 3,500 million transferable rubles per annum. Between 1972 and 1983 about 19,000 million rubles' worth of products were marketed annually in the socialist countries; an increase was observed in the export of goods to the industrial capitalist and developing countries.

The IIB attaches great attention to expanding its credit activity, enhancing the role of international socialist credit in order to accelerate the economic and social development of each country and the socialist community as a whole. In this connection measures are being considered with the CMEA member-countries' cooperation to select possible projects for crediting in the current five-year plan period and subsequent years up to 1990. This work is carried out by the Bank jointly with the Secretariat of the Council for Mutual Economic Assistance, the CMEA Committee on Cooperation in Planning, the CMEA Standing Commission on Financial and Monetary Questions and other CMEA bodies.

IIB business relations are expanding with the International Bank for Economic Cooperation and authorized national banks of the member-countries, with international economic organizations, and also with Yugoslavia's banks. Contacts with industrial capitalist countries' banks, international financial and crediting institutions, and the developing nations' banks are carried out on a mutually profitable basis.

The International Investment Bank is taking steps to further improve and develop crediting activity to advance socialist economic integration, increase the socialist community countries' economic might, and widen mutually profitable cooperation with the industrial capitalist and developing countries.

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USSR-CEMA TRADE

SOVIET-VIETNAMESE SCIENTIFIC, TECHNICAL COOPERATION

Moscow EKONOMICHESKAYA GAZETA in Russian No 21, May 84 p 21

[Article: "USSR-SRV: Scientific and Technical Cooperation"]

[Excerpts] Signed in 1959, a quarter of a century ago, the Intergovernmental Agreement on Scientific and Technical Cooperation between the Soviet Union and socialist Vietnam began broad cooperation among the scholars and specialists of our fraternal countries. The head of the USSR GKNT [Gosudarstvennyi komitet Soveta Ministrov ponauke i tekhnike-State Committee for Science and Technology, USSR Council of Ministers], V.A. Konyushko, describes Soviet-Vietnamese cooperation in the area of science and technology in the article published below.

The USSR, together with other countries of the socialist community, participated in the establishment of an academic and scientific research foundation in Vietnam. Our country helped establish the Hanoi polytechnic and Hanoi agricultural institutes, as well as a number of large trade and technical schools. The completion of construction of the "Nghia Do" center for scientific research in Hanoi in 1977 was a great event in Soviet-Vietnamese scientific and technical cooperation.

In the area of agriculture, cooperation involves such problems as agricultural chemical services, fodder production, crop protection, establishment of high-yield types of grain, technological, vegetable and fodder crops, land tenure and land tenure regulations, mechanization of cultivation and harvesting of cotton, sericulture and apiculture.

Electrical energy specialists work together on questions of protecting objects and lines of electrical transmission under conditions of intensive storm activity. Soviet organizations have worked out and manufactured a complex of unique research apparatus which will equip a basic research station built in the Socialist Republic of Vietnam.

The Soviet side renders assistance in working out the technology of excavating very steep coal beds in mines of the Socialist Republic of Vietnam, improving the transport of mining masses in quarries and resolving other important problems in this sector.

In the area of sea transport, a complex of organizational, technical and technological measures are being worked out directed at raising the work efficiency of the fleet between ports of the USSR and the Socialist Republic of Vietnam, and improving the technical servicing and repair of vessels in Vietnamese ports.

Individual problems of importance to the national economies of our countries are resolved on the basis of inter-governmental and inter-departmental agreements. This concerns particularly scientific and technical cooperation in the area of tropical meteorology and hurricane research, in the area of fishing, the use of atomic energy for peaceful aims, and the organization of experimental selection points in the Socialist Republic of Vietnam for agricultural crops.

Cooperation between the USSR and the Socialist Republic of Vietnam is also implemented on a multilateral basis within the framework of the General Agreement on cooperation among the CEMA member countries for assisting in accelerating the development of science and technology in the Socialist Republic of Vietnam during the period until 1990, signed in January 1981. In accordance with this agreement, the Soviet side is participating in equipping four scientific and technical objectives (the Scientific Research Institute for the Mechanization of Agriculture, the Center for Testing Agricultural Technology, the Coal Scientific Research Institute and the Communications Scientific Research Institute), as well as in the resolution of scientific and technical problems in the areas of agriculture, medicine and public health, geology and atomic energy.

In January 1981 as well, an agreement was signed according to which a large detachment of operational managers of higher and middle administration links from the Socialist Republic of Vietnam will increase their qualifications in the USSR from 1981 to 1985. Soviet scholars and teachers are sent every year to Vietnam in order to conduct training at the higher school of economic administration.

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SOVIET SHIP AIDS IN VIETNAMESE OIL DEVELOPMENT

Leningrad LENINGRADSKAYA PRAVDA in Russian 8 Jul 84 p 4

[Article by V. Yeliseev: "On the Shores of Vietnam"]

[Text] From a radiogram from on board the crane vessel "Vityaz'" of the Baltic Maritime Shipping Co. on the shores of Vietnam: "We have installed the second block. Work completed. We are awaiting further instructions. Captain Sh. Aychuvakov."

The "Vityaz'" is the only floating crane of domestic manufacture in our country with a freight lifting capacity of 1600 tons.

The multi-purpose vessel is intended not only for handling heavy freight in ports, but also for carrying out various operations at sea - for raising sunken vessels, for example. For that reason, the "Vityaz'" is attached to the expeditionary detachment for accident-rescue and underwater technical work of the Baltic Maritime Shipping Company.

The work biography of the "Vityaz'" began in the summer of 1978. It has a number of large accident rescue operations to its credit. It also helped the bridge builders in raising the bridge across the Neva in Mar'ino and loaded heavy equipment several times in the port of Morskoy. In the summer of 1983, the "Vityaz'" set its course for the shores of Vietnam. Here, together with specialists from Minneftegazprom, they were to help our Vietnamese friends master the process of extracting oil from the sea.

The journey across five seas and two oceans went successfully. Almost 11,000 miles were traveled in 80 days. The Baltic rescue ship "Gerakl" helped the "Vityaz'" during this long voyage. Difficult meteorological conditions complicated the crane's work on the Vietnamese shores. Because the vessel was built without taking into account its use in the tropics, the present effort was a serious test for both the "Vityaz'" and its crew.

The work took place 60 miles from the port of Vung Tau, in the South China Sea. This is approximately 120 kilometers from the large Vietnamese city of Ho Chi Minh. Two supports were set up symmetrically to one another at a depth of 47 meters. The height of each of them was 62 meters and the weight of each was 1200 tons.

Now, when the most difficult stage is past, it is possible to say that the crew of the Baltic crane vessel "Vityaz'" has accomplished a truly heroic feat of labor in the name of strengthening the international friendship of the Soviet and Vietnamese peoples. It remains for the oil prospectors to mount a stationary platform with equipment on the supports and begin drilling.

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INCREASING CEMA SELF-SUFFICIENCY

Moscow POLITICHESKOYE SAMOOBRAZOVANIYE in Russian No 7, 1984 (signed to press 21 Jun 84) pp 33-41

[Article by Yu. Konstantinov: "A New Stage in the Fraternal Countries' Economic Collaboration"]

[Excerpts] Socialism unswervingly demonstrates basic social advantages over capitalism in deed. The results of the socio-economic development of CEMA (Council for Mutual Economic Aid) countries over its 35 years of activity, in particular, convincingly attest to this. The strength of cooperation is in the unity and cohesion found among its states. A new confirmation of this fact is the CEMA countries' high-level economic conference which took place between 12 and 14 July in Moscow. This is a most important landmark in the history of not only world socialism, but also the entire international communist and workers' movement. All work of the conference proceeded in a constructive, business-like spirit and in a situation of a frank exchange of views, full mutual understanding, friendship, and unity.

Today, U.S. imperialist circles and some of their NATO allies, while supercharging international tension, are striving to destroy mutually-beneficial relations, create obstacles in the path to normal economic and scientific-technical collaboration, carry out a trade, credit, and technological blockade, and carry out a policy of discrimination with respect to those countries which reject their demands and dictates. The socialist countries come out resolutely against such imperialist policies. Moreover, they of course, are not afraid of threats and economic blackmail, since they possess technical and economic independence.

However, the socialist community countries never confuse this strategy [of technical and economic independence] with a policy of autarky and isolationism in economic development. They proceed from the indisputable fact that the process of the internationalization of economic life and the universal division of labor are practical realities. Equitable economic collaboration is mutually beneficial to all participants without exception.

The socio-economic successes of all the socialist community countries is the result, first and foremost, of their peoples' selfless labor and the improvement of control and planning and of the entire economic mechanism.

implemented by communist and workers' parties. The unification of their national efforts within CEMA, on the rails of economic integration, is a weighty reserve of the fraternal countries' economic development. In particular, a steady expansion of specialization and cooperation, for example, of machine-building production attests to this. If the entire volume of the CEMA countries' machine-building production rose by a factor of 2.4 during the 1970's, reciprocal export of machines and equipment rose more than 3-fold. The share of specialized product export increased from 17.7 to 35 percent during this period.

The growing role of the CEMA countries' economic integration was caused by the fact that in recent times, their large-scale socialist reproduction ever more noticeably advances as a unity of two interconnected processes: the dynamic development of national economic complexes and their intensified cooperation with each other. The national economic potential of each fraternal country, which is multiplied by their close mutual collaboration, permits successfully resolving tasks of any complexity.

Through their common efforts, the CEMA countries are in a position reliably to provide the modern equipment and advanced technology that they need. Already in 1982, 68 percent of their import requirements in machines and equipment were met by reciprocal trade. On the whole, the socialist community possesses a highly-developed engineering industry. At the present time, almost all types of machines and equipment found in the nomenclature of the world engineering industry are produced in the fraternal countries. A high growth rate is characteristic for the socialist community countries' machine-building industry. Its gross output in 1982, as compared to 1970, increased 2.8-fold. In individual CEMA countries, the gross output of the engineering industry for this period rose: in Bulgaria, by a factor of 3.6; Hungary, 2-fold; the GDR, 2-fold; Mongolia, 3-fold; Poland, by a factor of 2.4; Rumania, by a factor of 4.4; the USSR, almost triple; and Czechoslovakia, more than double. Progressive sub-branches of the engineering industry were developed at a higher rate: electronic equipment, the energy and nuclear engineering industry, and the output of robots, means of automation, computer equipment, etc.

Much is being done directly within the national economies of the CEMA countries to strengthen independence in the area of new equipment and advanced technology. For example, the USSR state plan for economic and social development in 1984 envisages a further rise in the rates for introducing the achievements of scientific and technical progress into branches of the national economy. The plan includes over 1150 tasks for putting new types of equipment into production and more than 380 tasks for introducing progressive technological processes, and means of production mechanization and automation. In all, on the basis of ministerial and departmental plans, it is intended to assimilate about 3,900 types of machines, equipment, instruments and materials.

Mutual consultations and an exchange of experience, in particular on such important issues as the forecasting and planning of scientific and technical development and the forming of complex scientific and technical programs, are conducted among CEMA countries. Measures for the rational use of the states'

scientific and technical productive potentials are carried out. For this purpose, their efforts are concentrated on the implementation of large-scale programs of collaboration, which cover the whole cycle: science--equipment--production--sale." The general agreements on multilateral collaboration in microprocessor equipment and industrial robots are examples of the implementation of such programs.

By 1990, as noted at the 36th CEMA Session, 200,000 industrial robots will have been produced. This will become possible thanks to the development of specialization and cooperation in the area of robot equipment in accord with the concluded General Agreement. According to the forecasts of scientists, second-generation robots, equipped with sensory elements, including technical vision, will already constitute a large part of the pool by 1985. Participants of the high-level Moscow Conference came to an understanding about jointly working out, on the basis of national programs, a 15- to 20-year Complex Program for Scientific-Technical Progress as a base for drawing up a coordinated and, in some areas, unified scientific-technical policy aimed at a most rapid resolution of the most important issues in the areas of science and technology through joint efforts and the introduction of attained results into production in interested countries under mutually-beneficial conditions.

The CEMA countries undertook needed efforts to steadily provide for their own fuel and raw material resources. If, for example, the European Economic Community is half dependent on fuel imports from third countries, the socialist community satisfies 90 to 95 percent of its own requirements for both energy resources and other vitally-important types of natural resources. The CEMA countries' share of world electric energy production has grown from 14 percent in 1950 to 21 percent in 1983; oil and gas condensate, correspondingly from 8 to 24 percent; natural gas, from 5 to 35 percent; steel, from 19 to 32 percent; and mineral fertilizer, from 21 to 33 percent.

The CEMA countries see prospects for accelerating electric energy production, first and foremost, in the development of nuclear energy. They organized the joint manufacture of equipment and expanded the large-scale construction of nuclear energy stations (AES and AST). This is one of the main directions in which the CEMA countries consolidate their efforts and energy resources. By the end of 1983, the total output of the operating AES of Bulgaria, Hungary, the GDR, the USSR and Czechoslovakia reached 25 million kilowatts. The Long-Term Special-Purpose Program of Collaboration (DTsPS) in the areas of energy, fuel and natural resources provides, with Soviet technical assistance, for building nuclear electric stations with an aggregate output of about 37 million kilowatts in the community's European countries and Cuba. The share of gas is also to be consistently increased in the CEMA countries' fuel-energy balance. In the socialist community, known gas reserves are sufficiently great.

Concurrent with joint integrative measures, the CEMA countries are adopting measures for possible development of fuel and natural resource bases within the national economies, taking into account their being provided with appropriate useful minerals. Today, the maximum usage of national potentials is one of the basic tasks for resolving the natural resource problem. Especially large-scale actions are being carried out in the USSR, which

possesses large amounts of energy and natural resource reserves. Our country not only provides for its own growing requirements in energy and natural resources, but simultaneously supplies them to other CEMA countries. In particular, it supplies them oil and gas in considerable volumes.

The supplying of the population with foodstuffs is steadily being improved in the CEMA countries. All the same, a certain strain arises here and there in providing individual types of foodstuffs. To a great degree, this is caused by soil and climatic factors. Thus, according to the calculations of specialists, the biological productivity of land in the Soviet Union is one and one-half to two times lower than in the United States, Italy and France. In the USSR, 58 percent of the arable land lies in arid and semi-arid zones. Our country's harsh continental climate, frequent droughts, and other unfavorable factors negatively impact on the stability of harvests. All of this necessitates the working out and carrying out of scientifically-based measures by the fraternal countries and investments of major material resources for increasing food production.

It is planned to expand and deepen specialization and cooperation in agricultural production. In the years 1976 to 1980, about 40 percent of the CEMA countries' total imports of fresh fruits, approximately 50 percent of meat, over 80 percent of fresh vegetables, and an even higher percentage of agricultural equipment were received by reciprocal deliveries. A Long-Term Special Purpose Program of Collaboration in the area of agriculture and food industries up to 1990, which envisages a considerable increase in the production of agricultural products, has been worked out and is being implemented.

At the 37th CEMA Session, complex collaborative measures for improving the supplying of the socialist community countries' population with foodstuffs will be approved. These measures will embrace a wide range of issues--from the introduction of advanced technologies to the economic stimulation of agricultural production--and serve as a supplement to the Long-Term Program. Their goal is--in the shortest time possible, taking advantage of the CEMA countries' growing economic potentials, essentially to improve the population's dietary structure by using the most-costly products. Participants at the high-level Moscow Conference especially stressed that they considered the all-out development of the branches of the agro-industrial complex and collaboration in this sphere to be their primary task....

The strengthening of the socialist community countries' technical and economic independence assumes a further consolidation of their currency-financial position in the world market. In accord with the global military-political strategy of reactionary circles, the United States and several of its NATO allies are intensifying pressure on their countries' private banks, forcing them to curtail credit relations with CEMA countries, limit amounts, and stiffen conditions of credits granted to them. Attempts to organize a credit blockade of the socialist states are launched thereby. This phenomenon, as well, is far from new.

The Soviet Union, for example, was subject to a credit blockade back in the first years of its existence and the CEMA countries in the postwar "cold war"

period. Relying on their own economic achievements and mutual support, however, they successfully surmounted the credit blockades. And if this were possible then, it is more realistic now, when the socialist community's economic potential has grown greatly.

The CEMA countries have created a special international currency system for financing mutual economic projects, which contribute to a strengthening of their technical-economic base. It is based on the functioning of a collective currency of a new, socialist type--the convertible ruble. All planned trade and economic transactions within the community are being carried out in this currency.

At the present time, the share of reciprocal trade among CEMA countries is about 60 percent of all their foreign trade. But this is an average figure. For a number of socialist community countries, it is much higher. For example, in 1982, the share of trade turnover with CEMA partners was: Bulgaria, 73 percent; GDR, 63.1; Cuba, 81.5; Mongolia, 96.9; and Czechoslovakia, 70. During the period 1964-1983, the aggregate volume of reciprocal payments, made through the International Bank of Economic Collaboration (MBES), created by the CEMA countries in 1963, exceeded 1,440 billion convertible rubles. The sum of credits given by the MBES reaches more than 100 billion convertible rubles. The bank systematically satisfies the requirements of member states for loans that assist the steady growth of reciprocal trade turnover, which grew 36-fold during the period 1951 to 1983 and reached 167 billion rubles in 1983.

Parallel to the MBES, which is called upon to service the CEMA countries' foreign trade ties, a second collective credit institution, the International Investment Bank (MIB), was created in 1970. Its task is to supply credit for capital construction, principally in convertible rubles. Over the period of its activity (1971-1983), the MIB accepted for credit 83 items, 60 of which are already in operation. This has helped to increase appreciably the reciprocal export of important products.

The economic conference in its "Statement on the Basic Directions for Further Developing and Intensifying the Economic and Scientific-Technical Collaboration of CEMA Member Countries" pointed out: "The operating system of pricing in reciprocal trade and the currency-financial instruments of collaboration will be even further improved and the collective currency--the convertible ruble--will be strengthened."

The socialist community countries construct credit relations with capitalist states on a basis of equal rights; they cut short the capitalists' attempts to use credit grants for political pressure and interference in the socialist countries' internal affairs. All the same, for their political aims, the imperialist circles are organizing a credit blockade of the socialist countries. Of course, this does not promote the development of trade and economic relations between the countries with different social systems. But under conditions of an intensification of mutual economic relations among the CEMA countries, such a blockade cannot impede their development.

In the final account, as experience shows, its organizers first and foremost will lose from a credit blockade of the socialist states. The more the CEMA countries' technical-economic invulnerability gains strength, the broader and fuller will become its possibilities for expanding exports, rationalizing imports, and regulating the expenditure of convertible capitalist currencies. In the Soviet Union, for example, as noted at the 37th CEMA Session, the production of many articles of the chemical, metallurgical, and machine-building industries, which earlier were bought in the United States and in countries supporting the American leadership's discriminatory actions, was set in motion in past years. Additional tasks in the stated areas will be fixed in the 1984-1990 period.

This is one of the answers to U. S. attempts to stiffen the economic war against the USSR, in particular by means of a worsening of conditions for granting credits. In organizing a credit blockade of the Soviet Union, American imperialism seems to have forgotten that the USSR is a powerful state. It produces many types of products and raw materials, for which there is always a demand and whose export permits increasing foreign currency revenue. This includes, in particular, oil, petroleum products, natural gas, and other energy sources.

A further increase of the economic potential of the USSR and other CEMA countries and an intensification of their technical-economic invulnerability are the main means for consolidating the socialist community's financial position. The socialist community countries are taking measures to intensify their mutual economic collaboration, which helps the accelerated development of production and the reciprocal deliveries of goods, whose import is impeded because of the West's discriminatory measures.

The development of this collaboration is conducive to a strengthening of the CEMA member countries' export potential and to a stabilizing of their currency position. Characteristically tied in with this are the statements of experts from such an authoritative organization as the U. N. European Economic Commission. They think that the state of the CEMA countries' balances of payment has significantly improved and strengthened their position in trade with the West.

And here, the consequences of a credit blockade can be very negative for the organizers. Breaking traditional credit ties with the socialist countries means first of all, a weakening of the capitalist banks' financial position. Moreover, today the Soviet Union alone maintains business ties with 1,700 banks in 124 countries of the world. One cannot rule out that a curtailment of credit ties with the CEMA countries could lead to the intensification of the chain reaction of financial failures in the capitalist world. In 1983 alone, 48 banks went bankrupt in the United States. This is the highest showing since 1939.

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MAJOR AREAS OF TRADE WITH CZECHOSLOVAKIA REVIEWED

Moscow FOREIGN TRADE in English No 8, 1984 pp 7-10

[Article by Vladimir Vladimírsky, USSR Trade Representative in Czechoslovakia]

[Excerpts]

In the system of the USSR's economic ties trade and economic relations with Czechoslovakia, which has in the postwar period become one of the Soviet Union's major trading partners, occupy an important place. The USSR and Czechoslovakia build their trade and economic, scientific and technical co-operation on principles of equality, mutual assistance and respect for each country's interests. Our fraternal countries apply their joint efforts on effectively using the socialist international division of labour, on improving the forms of socialist economic integration, on effecting direct ties between separate enterprises.

In 1970 the USSR share in Czechoslovakia's foreign trade exceeded 32 per cent, in 1980—36 per cent and in 1982—42 per cent. In its turn Czechoslovakia takes second place (after the GDR) among the Soviet Union's trading partners—its share amounting to a little more than eight per cent.

The commitments accepted under the long-term trade agreements concluded by our countries for 1971-1975 and 1976-1980 were substantially over-fulfilled. During this 1971-1980 period mutual trade grew more than three times, its average annual growth rate being 13.6 per cent.

In line with the Long-Term Trade Agreement for 1981-1985 the goods exchange is to exceed 50,000 million rubles denoting that the high rates of trade growth in the current five-year plan period will con-

tinued. Thus in 1982 the USSR's and Czechoslovakia's trade turnover totalled 9,800 million rubles, approximately 15 per cent more than in 1981. In 1983 the trade exceeded 11,000 million rubles, with the growth rate keeping constant.

Most of Czechoslovakia's industrial enterprises export products to the Soviet Union. The list of machines entering the Soviet market is a long one while the deliveries of various types of equipment have a substantial bearing in satisfying Soviet imports (for example, in 1982, in the total Soviet imports of metal-cutting machine tools the Czechoslovak share was 13 per cent, in power equipment—over 23 per cent, equipment for the food industry—about 16 per cent, for the textile—58 per cent, chemical—15 per cent, rolling equipment—more than 33 per cent).

In the last ten years the equipment deliveries Czechoslovakia made to large industrial projects in the USSR have been considerable. As examples we can cite the Czechoslovak rolling equipment now working at iron-and-steel plants at Cherepovets, Orsk, Moscow, Artemovsk, Kirov and other Soviet towns. At the Azovstal iron-and-steel works in Zhdanov a "3600" rolling mill is successfully turning out over 1.5 million tons of steel plate annually. In Novokuznetsk the Zapadnosibirsky steel plant produces shaped steel strip on a "450" medium section mill that also has an annual output capacity of 1.5 million tons. A 20-roll mill for rolling out transformer steel has been set up at the Verkh-isetsky steel plant. Deliveries of equipment for the non-ferrous, chemical and food industries are also substantial.

The equipment imported from Czechoslovakia is used at enterprises in many Union Republics and economic regions of the USSR.

In recent years alone, set up at enterprises in the Russian Federation were eight ammonia-producing installations (capacity 1,360 tons per 24 hours), two ethylene plants (capacity 300,000 tons per year) and one installation for the catalytic reforming of petrol. In the Ukraine, equipment to produce carbamide at a rate of 1,000 tons per 24 hours and "3600" and "3000" plate mills have been installed.

For Byelorussia Czechoslovak industrial enterprises have manufactured equipment to produce carbamide (productivity 1,000 tons per 24 hours), for Kazakhstan a sintering line, and for Lithuania an ammonia installation with a productivity rate of 1,360 tons per 24 hours.

Czechoslovakia has shipped to the USSR equipment for 115 breweries and to 7 dairies producing butter and dried milk.

Deliveries of cargo and passenger ships and special technical ships by Czechoslovakia to the USSR are also of consequence. In the last 20 years the Soviet Union has bought more than 700 such vessels for its river fleet.

On the Soviet railways 2,000 Czechoslovak main-line passenger electric locomotives are in use and over 4,000 shunters. In tens of Soviet towns 5,000 trolley-buses and 10,000 tramcars of Czechoslovak-make transport passengers.

The Tatra truck has a good recommendation, over 27,000 of them have been shipped to the USSR.

In its turn Soviet equipment plays a substantial role in developing several branches of Czechoslovakia's economy and effectively facilitates the growth of labour productivity. In 1982 machines and equipment in excess of 900 named items were exported to Czechoslovakia.

At the East Slovakian iron-and-steel works in the town of Košice a new continuous steel casting installation was put into operation. Machinexport supplied the main technological equipment and engineered its erecting. In his speech at the installation commissioning ceremony L. Štrougal, head of Czechoslovakia's Government, stressed that this progressive technology would produce one million tons of steel annually, reduce metal waste almost 12 per cent and save 150,000 to 200,000 tons of equivalent fuel.

In the Soviet export of engineering products to Czechoslovakia modern technology and unique equipment occupy a very important place. In the last five-year plan period computers and large quantities of machines for the extractive industry, equipment for the railways, the aircraft industry, etc. worth over 250,000 million rubles, were shipped to Czechoslovakia.

More than 40 per cent of Czechoslovakia's requirements for computers, primarily large and medium computers are satisfied by USSR deliveries. Out of the 700 ES computers which the Soviet Union has exported almost 400 are serving Czechoslovakia's national economy.

At many mines and open-cut workings in Czechoslovakia Soviet mining combines, excavators and other mining equipment have proved their worth.

Czechoslovakia's civil air fleet is equipped mainly with Soviet aircraft. The Soviet Union ships agricultural machines and implements to Czechoslovakia. In the last five-year plan period the supplied equipment was worth around 125 million rubles. In 1982 alone the value of Soviet combines, tractors, ploughs, watering installations, beet-harvesters and other machines supplied to Czechoslovakia approached 30 million rubles. Soviet wheel tractors are of great interest to Czechoslovakia.

One of the most important commodity groups of trade between the USSR and Czechoslovakia consists of fuel, raw and other materials. Deliveries of such is of paramount importance to Czechoslovakia's economy.

In 1982 the USSR shipped to Czechoslovakia fuel, raw and other materials worth more than 3,700 million rubles. All this helped Czechoslovakia satisfy its demands for natural gas 100 per cent, for oil—97 per cent, ferrous materials—81 per cent, pig iron and nitrogen fertilizers—100 per cent and the greater part of non-ferrous metals, ferro-alloys, manganese and chrome ores as well as some chemicals. These shipments of energy carriers and raw materials are necessary to ensure the continuous working of Czechoslovak enterprises.

For Czechoslovakia, cooperation with the USSR in the *fuel and raw material sector* plays a great role, especially in the extraction and processing of raw materials and fuel, first of all in the Soviet Union. Participation of the socialist countries, including Czechoslovakia, in building projects for this industrial sector enables the USSR to accelerate the introduction into operation of capacities producing raw materials and fuels. In the last five-year plan period Czechoslovakia with other CMEA members was responsible to no small degree for equipping the Kiembayev asbestos complex, the Kingisepp Fosforit complex producing ammophos fertilizer. Czechoslo-

vakia participated in developing the Orenburg gas-condensate deposit, in building the Soyuz gas pipeline, in developing in the USSR the production of ferriferous ores, in constructing a 750 kV power transmission line, the Khmel'nitsky atomic power station, the Mozyr fodder yeast plant.

Czechoslovakia's assistance in constructing these projects made it possible for this country to obtain from them products vital for its economy.

An important event was Czechoslovakia's cooperation in constructing the Soyuz gas pipeline which started delivering gas in 1978 making it possible for this country to receive over a 20-year period 2,800 million cubic metres of Soviet natural gas annually in excess of the amounts agreed earlier. Correspondingly, in connection with the gas-pipes project, an international agreement on the transit of additional quantities of Soviet natural gas through Czechoslovak territory to the countries of Western Europe was signed in July 1982 in Prague. Since early 1983 in Czechoslovakia work on constructing a new (the fourth) gas transit pipeline is going ahead at full speed. As payment for these services Czechoslovakia will annually receive extra amounts of Soviet natural gas.

Delivery of Czechoslovak farming machinery has substantial meaning for the development of the USSR's agro-industrial complex. In 1980 the value of the various types of agricultural machines supplied totalled 65 million rubles, in 1981—78 million, in 1982—110 million rubles, while in 1983 the concluded contracts on the shipment of such equipment amounted to almost 120 million rubles. This equipment includes automatic pumping stations, watering and irrigation installations, tractors, tops and hop harvesters, seed-processing complexes, hydro-transmissions, etc.

Moreover, the delivery of complete equipment to the Soviet Union for the production of carbamide and ammonia is enabling the USSR to expand the output of mineral fertilizers.

In addition Czechoslovakia supplies various equipment for brewing beer, for manufacturing dried milk, formula feed, baking ovens, etc. This is also assisting to realize the USSR Food Programme. The shipment of two Czechoslovak grain elevators (capacity 25,000 tons) was completed and two more (each of 50,000 ton capacity) were delivered at the end of 1983.

In the last five-year plan period *mutual trade influences and patents* grew considerably.

In recent years Licensintorg concluded with Czechoslovakia's foreign trade organizations over 35 export and import licence agreements which cover technical assistance, training of servicing personnel, transfer of documentation and know-how. Czechoslovakia through the purchase of Soviet licences has started the production of citric acid, ceramic capacitors, aerated concrete, radial tyres, heating ovens, diamond drill bits, natural gas turbo-compressors, the Bulat installation for metallic coating of tools. Among the import licence agreements recently signed by the USSR and Czechoslovakia the largest concern licences for the production of ephedrine, contact lenses, and the Romajor offset machines.

Soviet import of consumer goods adds up to one-fifth part of its general imports from Czechoslovakia. Every year the Soviet Union receives from the latter country around 38 million pairs of boots and shoes, amounting to almost 60 per cent of USSR footwear import and approximately 250 million rubles' worth of goods from the Czechoslovak textile industry. These volumes of deliveries constantly increase. Thus the USSR buys furniture, crockery, medicines, bijouterie and so on worth tens of millions of rubles. The import of this commodity group exceeded 800 million rubles in 1982.

A new stage of our countries joint efforts in the field of specialization and cooperation began with the signing in 1980 of the Long-term Programme for the Development of Specialization and Cooperation in Production between the USSR and Czechoslovakia which fixed the main guidelines and forms of cooperation in the important material production sectors.

This programme for elaborating mutually beneficial specialization and cooperation in production first of all envisages the development and manufacture of machines and equipment meeting modern requirements and materials with qualitative new parameters and their speedy introduction into production.

For realizing the goals set in the Long-term Programme the USSR and Czechoslovakia signed 20 agreements on specialization and cooperation in pro-

duction in the machine-building sector and five agreements on non-engineering products. The largest agreements concern rail transport facilities, metallurgical equipment, road-building machines, communication, equipment for atomic power stations, metal-removing machine tools, ships, forging and pressing equipment, and computer technology. Specialization and cooperation in the production of chemical products is being furthered. Planned is the specialized production of 227 new machines. Cooperative production of 38 new machines is planned to be organized.

Specialization enables our countries to create the maximum capacities and consequently, the greatest profitable production.

Also important is the development of cooperation in the output of high quality consumer goods having popular demand.

Quantitative deliveries under the agreements on specialization and cooperation in production are to grow at the outstripping rates. In particular, this refers to the shipment of equipment for the chemical, oil and gas industries, mainline electric locomotives, equipment for the light and food sectors, lorries, machine tools, and forging and pressing equipment.

In accord with the long-term specific programmes of cooperation the shipments of machines and equipment for modernizing and expanding the extractive and processing sectors of industry in the USSR are in large volumes.

Under new conditions scientific and technical cooperation and specialization and cooperation in production become more and more important. These forms of cooperation are basic to the intensive development of both countries national economies and the main prerequisites for deepening the international division of labour and dynamically raising the effectiveness of foreign trade.

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SPECIALIZATION, COOPERATION WITH ROMANIA REVIEWED

Moscow EKONOMICHESKAYA GAZETA in Russian No 35, Aug 84 p 20

[Article by N. Mikhaylenko, responsible secretary, Soviet section, Intergovernmental Soviet-Romanian Commission for Economic and Scientific-Technical Cooperation, under the heading "In the Countries of Socialism": "Deepening USSR-SRR (Socialist Republic of Romania) Cooperation"]

[Text] The workers of Romania mark a national holiday on 23 August, the 43rd anniversary of the country's liberation from the Fascist yoke. During the years of people's power in the republic, significant successes have been achieved in economic and cultural development. These achievements are a result of the selfless labor of the Romanian people on the path of socialist transformation of the country. At the same time, they are also a result of fruitful cooperation with the Soviet Union and other nations of the socialist community.

The development of Soviet-Romanian cooperation has been distinguished by stability and high dynamism. Reciprocal trade has developed intensively. Whereas trade turnover between the USSR and the SRR in 1960 was about 500 million rubles, it had reached 3.3 billion rubles in 1983.

Hundreds of models of modern machinery and industrial equipment manufactured in the Soviet Union are operating in the Romanian national economy. Among them are highly productive machine tools, rolling mills, various ships and aircraft, and equipment for power engineering, chemical and other branches of industry.

The USSR supplies Romania with significant amounts of the most important fuels and raw materials.

On the other hand, many types of Romanian items have given a good account of themselves in the USSR, in particular: oilfield equipment, ships, railroad cars, metal-cutting machine tools, agricultural machinery and chemicals. Romanian consumer goods are very popular here.

The technical assistance Romania renders the Soviet Union in building economic projects and individual shops and installations, and in training personnel, has occupied and continues to occupy a prominent place in Soviet-Romanian economic cooperation.

Upwards of 130 projects have been built in Romania with USSR economic and technical assistance, primarily in such key branches as metallurgy, power engineering,

machinebuilding, chemistry, petrochemistry and construction. They include 10 electric power plants with a total capacity of 3.6 million kilowatts, 10 district heating systems with a total capacity of 1.7 million kilowatts, two nitrogen fertilizer plants with a capacity of 100,000 tons of ammonia per year, two oil refineries with a total capacity of 2.5 million tons, coking batteries, a pipe-rolling mill, spinning mills, ball-bearing plants, synthetic rubber plants, superphosphate plants, soda plants, paper mills and others.

Technical assistance to the SRR in building and modernizing capacities in power engineering, ferrous metallurgy, chemical industry, pulp and paper industry and other branches of the national economy continues. An agreement has been signed on cooperation in building a nuclear power plant in Romania, with construction to begin next five-year plan.

Equipment and materials have been supplied from Romania for a number of years to create, through the joint efforts of CEMA member nations, facilities in the Soviet Union. The participation of Romanian organizations in installing and developing gas-industry facilities, enterprises to produce iron ore raw material and ferroalloys, a pulp mill and an asbestos combine, is ensuring stable deliveries of corresponding raw-material goods from the USSR on a long-term basis. Under an agreement on cooperation in building the Yuzhno-Ukrainskaya [South Ukraine] nuclear power plant, Romania will be supplied with electric power on a long-term basis as well, beginning in 1985. A special electric power transmission line is being build to supply the electric power from that plant to Romania.

An agreement was signed in July 1984 on participation by Romanian organizations in building up the Sovetabad natural gas deposit in Turkmenia. We plan to set up bilateral cooperation in developing new facilities within the USSR to produce iron-bearing raw material and to extract and transport natural gas.

Production specialization and cooperation plays an increasing role in Soviet-Romanian economic ties. In May of 1980, the USSR and Romania signed a "Long Range Program of Specialization and Cooperation Through 1989." It defined the main goals, directions, forms and terms of cooperation in branches of material production and the tasks and procedures for effecting scientific-technical ties.

Under the program, branch subprograms for developing production specialization and cooperation for 15 leading branches of industry and agriculture were developed and signed. Appropriate bilateral agreements were concluded for 1981-1985 in developing the branch subprograms. Reciprocal deliveries of ships and ship equipment, machine tools, agricultural machinery, electrical equipment, sewing equipment, chemicals and petrochemicals are already being made on their basis. A by-assortment exchange of medicines, chemical preparations, oil refining output, paper, cardboard, seed and plantings is also underway.

The proportion of reciprocal deliveries of specialized and cooperative output in the overall level of Soviet-Romanian trade turnover is constantly growing. Thus, the proportion of specialized output in exports of machinery and equipment from our country to Romania has risen from 12.8 percent in 1980 to 28.3 percent in 1983, and the percentage in imports has risen from 42 to 54.5, respectively.

Agreements on specializing and consolidating the production of equipment for the garment industry and aviation equipment have had a positive effect on reciprocal

deliveries. Romanian specialization to produce individual types of oilfield equipment, railroad cars, ships and other output holds extended promise.

Opportunities have opened up for cooperation in producing new items at a world technical level, in particular, electronics goods, microprocessor and robot equipment. This can be facilitated by the experience both countries have already accumulated in setting up the special production of exports at individual enterprises. Thus, a number of Romanian rail car manufacturing plants are currently specialized to manufacture grain cars and pellet haulers to meet Soviet orders; the Chakhleu agricultural machinery plant -- corn drills; the petroleum equipment plant imeni 1 May -- drilling rigs; wood processing combines -- household furniture. These enterprises have a constant customer in our country, one which ensures a reliable workload for their production capacities, a precursor of mutual advantage in such cooperation.

Several types of equipment are manufactured cooperatively. For example, the Soviet Union supplies electrical, radio and navigational equipment for subsequent assembly in various types of ships in Romanian shipbuilding ways.

The talks held in early June 1984 at the highest level between the USSR and the SRR in Moscow gave a strong impetus to Soviet-Romanian cooperation. The primary directions of economic and scientific-technical cooperation on a bilateral basis and within the Council of Economic Mutual Assistance framework were reviewed. Leaders of the USSR and the SRR spoke in favor of closer coordination of national economic plans, comprehensive development of production specialization and cooperation, and increasing reciprocal trade turnover.

The work begun on coordinating USSR and SRR state plans for 1986-1990 must play an important role in this. In accordance with the recommendations of the CEMA Economic Conference held in Moscow in June 1984, plan coordination has been concentrated on solving priority tasks in fields connected with reciprocal cooperation.

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TRADE WITH LDC'S

BENEFITS TO EGYPT OF SOVIET TRADE, ASSISTANCE

Moscow FOREIGN TRADE in English No 8, 1984 pp 15-19

[Article by Namik Yakubov, head of the Department for Economic Cooperation with the Middle East Countries, the USSR State Committee for Foreign Economic Relations]

[Excerpts]

USSR-Egypt economic cooperation has its history and good traditions. Over many years Egypt, with India and Afghanistan, has been one of the USSR's leading partners in economic and technical cooperation among the developing countries. Here, practical forms of cooperation, its organizational structure and an economic mechanism were worked out and widely tested.

This Soviet-Egyptian economic and technical cooperation covered 108 projects, 95 of which were fully completed and put into operation. An important feature is that 75 per cent of the volume of Soviet assistance was used to develop industry including power engineering. The Soviet Union's economic and technical assistance helped create new industrial sectors in Egypt such as: non-ferrous metallurgy, machine-tool, instrument making, radio engineering and chemical-pharmaceutical industries. Capacities in power engineering, ferrous metallurgy, oil-refining, metal-working and shipbuilding were substantially expanded. The enterprises constructed with USSR assistance turn out 100 per cent of Egypt's aluminium, coke, metal-cutting machine tools, cold rolled steel sheet, 82 per cent of pig iron, 79 per cent of steel, 45 per cent of the country's electric power, almost 45 per cent of the oil-refining industry's products, etc.

According to Egyptian economists the capital investments allocated for constructing the USSR-Egypt coop-

eration projects amounted to about 1,000 million Egyptian pounds. Over their operational period these enterprises have manufactured products worth nearly 4,000 million Egyptian pounds. In 1983 alone these enterprises gave a profit worth approximately 85 million Egyptian pounds.

Employed at the projects constructed with USSR assistance are nearly 60,000 Egyptians which amounts to over 10 per cent of the state sector's workers and they produce almost 15 per cent of this sector's output. Over the years of Soviet-Egyptian cooperation more than 160,000 skilled workers and specialists have been trained.

The construction of the Aswan hydro-engineering complex takes a special place in USSR-Egypt cooperation.

December 27, 1983, marked the 25th anniversary of the signing in Cairo of the Agreement on the Soviet Union rendering Egypt economic and technical assistance in constructing the first stage of the Aswan High Dam. There are not that many projects in the world the accomplishment of which has had such a deep reaching and favourable effect on the life of a whole country as the Aswan High Dam.

How did Egypt benefit from the construction of this grandiose project?

First of all, a hydro-electric power station (output 2,100,000 kW with the possible generation of 8,000 to 10,000 million kWh of electricity per year) was built, a reservoir able to contain 164,000 million cubic metres of water was created, an integrated power system consisting of the 500 kV 1,580 km transmission power lines and associated substations was formed, 220 kV and 132 kV transmission lines over 740 kilometres in length with substations were constructed. Today the complex operates at its full rated capacity. All in all about 90,000 million kWh of cheap electric power have been generated since the hydro-electric power station was put into operation.

The complex has made it possible for Egypt to save many millions of tons of liquid fuel which a number of thermal electric power stations would need. Aswan's pow-

er is the base for developing many of Egypt's industrial sectors. Thanks to Aswan the construction of such power intensive projects as the Helwan iron-and-steel works, the Nag' Hammâdi aluminium factory, a ferro-silicon installation and a number of petrochemical enterprises of vital importance for the nation's economy became possible. Almost all of them were constructed with Soviet technical assistance.

Thus the Aswan hydro-power engineering complex has repaid its construction cost many times over the years it has been in operation.

A USSR-Egypt declaration signed in January 1971 especially pointed out that "... the construction of the Aswan hydro-power engineering complex was completed successfully within the specified contract time."

However, disinformation about the Aswan High Dam continues even today. Playing on their readers' unawareness, the persons controlling the Western mass media attempt to discredit the Aswan project as they fear, in the first place, the growth of the Soviet Union's prestige and the attractiveness of the idea of using this country's experience and the effectiveness of its economic and technical cooperation for the developing countries.

But reality refutes the lies Western propaganda puts out. Maher Abaza, Egypt's Minister of Power Engineering, declared in his interview given to the Cairo weekly *October* in February 1984 that the Aswan hydro-electric station on the Nile, built with the USSR's assistance in the early 1960s, was operating immaculately. "Egypt," said Abaza, "will never forget the immense assistance the Soviet Union rendered in constructing this important project. We thank the USSR for its economic and technical assistance."

In April 1984 the Ministry of Information of the Arab Republic of Egypt issued a booklet on the importance of the Aswan Dam for the country's economy.

The booklet points out the groundlessness and lack of evidence of the attempts more frequent over the last years to question the tremendous advantages the Aswan hydro-engineering complex has for Egypt, to exaggerate the so-called "secondary effects." These attempts, the publication makes clear, have only a political content and they are made by propagandistic campaign hostile to Egypt.

It should be mentioned that Egypt timely and in full paid off the credits granted by the Soviet Union on favourable terms for the construction of the Aswan High Dam. As payment for the Soviet machines, equipment and mechanisms Egypt delivered to the USSR its traditional export goods: long-fibre cotton, yarn, citrus, consumer goods, etc., in which our country is interested. So the mutual advantageousness of the Soviet-Egyptian economic cooperation is evident.

President Nasser's companion-in-arms Mohammed Hassanein Heikal, a well-known Egyptian journalist, when comparing Soviet and American assistance to Egypt said: "As far as the economic development of Egypt is concerned, the USSR's contribution to it is much greater. The USA, for instance, would never have helped us build the Aswan Dam."

The Nag'Hammâdi aluminium factory is another example of the high efficiency of USSR-Egypt cooperation projects. The factory's first stage put in operation April 1974 reached its rated capacity the same year: 100,000 tons of aluminium per annum. In July 1983 construction of the factory's second stage was completed and the rated output went up 166,000 tons of products per year. At present the Nag'Hammâdi aluminium complex operates above the rated indices and turns out 170,000 tons of products per year.

The technical characteristics of this factory are far better than those of many similar enterprises constructed with the participation of Western countries. For instance, the purity of the manufactured aluminium is 99.65 per cent as against the 99.5 per cent of the factory built at Bahrein with US assistance. Actual expenditure of electric power per ton of finished product at the Egyptian factory is 15,900 kWh, nearly 4 per cent less than that of the Bahrein factory.

Despite the fact that the country lacks its own raw material—alumina—and imports it from other countries the project is a very profitable enterprise giving an annual profit of nearly five million Egyptian pounds. The plant not only meets home demands but exports a considerable portion of its products to foreign countries as its output is in great demand on the world market. Countries in Africa, Asia, Europe and America purchase Egypt's aluminium.

"The complex at Nag'Hammâdi," writes *Al Mussawar*, "is a vivid example of what Egypt should become in the next century, an example of a deep and well thought-out approach to the solution of the social and economic problems facing the country."

Mohammed Hosni Mubarak, President of the Arab Republic of Egypt, who visited the factory in January 1984, appraised the aluminium complex very highly.

The Helwan iron-and-steel complex (capacity 1.5 million tons of steel per annum)—a large up-to-date enterprise utilizing most progressive technologies such as continuous casting of steel (a method first developed by the Soviet Union) and manufacture of roll-formed sections is also important for the development of Egypt's economy. This project today is the country's only iron-and-steel enterprise with a full working cycle and the largest one in the number of people employed (over 26,000).

With USSR assistance the Alexandria shipyard, oil refineries in Alexandria and Suez, cement-making factories in Tabbin and Asyût etc. have been constructed. From the above it is evident that USSR-Egypt cooperation over the last almost 30 years has been wide-scale and has strongly effected almost all major sectors of the Egyptian economy. It all meets Egypt's national interests and effectively promotes the country's economic independence.

At the same time the skies of Soviet-Egyptian cooperation have not always been cloudless. There were times when the Soviet Union's participation in creating Egypt's independent economy, if not denied, was kept silent. During Sadat's rule attempts to undermine USSR-Egypt cooperation, throw a shadow on the aims and principles of Soviet economic assistance to Egypt were made. From the second half of the 1970s and not through the fault of the Soviet Union, artificial difficulties were put in the way, the culminating point of which was the demand in September 1981 by the former president of Egypt that Soviet specialists working at the cooperation projects should return to the USSR.

However, even in these conditions Soviet organizations continued to fulfil their treaty and contract commitments on the deliveries of equipment and spare parts for the projects of cooperation being built and operating. The principled line of the USSR on cooperation with Egypt remained invariable. And when in 1982 the new Egyptian leadership asked the USSR to resume sending Soviet spe-

cialists to assist in building, commissioning and operating cooperation projects the Soviet Union agreed.

In accord with newly drawn-up contracts a large group of Soviet specialists is working at the Helwan iron-and-steel works, at cement-making factories at Asyût and Tabbîn, at the Nag'Hammâdi aluminium complex and other projects.

With the technical assistance of Soviet specialists a factory producing refractory materials (capacity 77,000 tons per annum) was commissioned in May last year. This is the first such enterprise in Egypt. With the start-up of the project the ferrous metallurgy industry developing on the base of the Helwan iron-and-steel complex was able to obtain its own refractory materials direct and became independent of their imports. Soviet equipment installed at the factory has well demonstrated its high productivity and reliability. Dr. Shams Siufi, President of the Egyptian refractory company, in a letter written on the occasion of the project commissioning, said: "Soviet equipment installed at this factory is working very well and has helped us reach the designed output very quickly." He extended his thanks to the Soviet specialists who participated in setting-up and commissioning the equipment.

At the request of Egypt a group of Soviet engineers in 1983 worked on improving the performance and reliability of the impeller sections of two turbines at the Aswan hydro-electric station.

At present Soviet organizations are delivering equipment and spare parts for the Helwan iron-and-steel complex, the Nag'Hammâdi aluminium factory, cement factories, for the electrification of Egyptian villages, for irrigation and land improvement schemes, etc.

In 1983 and 1984 many executives from Egypt's industrial companies concerned mainly with metallurgy, aluminium production, refractory materials and glass-making, visited the Soviet Union. As the result of negotiations contracts were signed on conducting design, deliveries of equipment, spare parts and the sending of Soviet specialists to work in Egypt.

The Soviet Union is fully prepared to maintain and develop all that has been accumulated during the past years of mutually beneficial and equal Soviet-Egyptian economic and technical cooperation which undoubtedly is in the interests of both countries' peoples and serves the cause of peace.

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